



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 21, 2002

H.R. 5205

An act to amend the District of Columbia Retirement Protection Act of 1997 to permit the Secretary of the Treasury to use estimated amounts in determining the service longevity component of the federal benefit payment required to be paid under such act to certain retirees of the Metropolitan Police Department of the District of Columbia

As passed by the House of Representatives on October 10, 2002

SUMMARY

CBO estimates that implementing H.R. 5205 would increase direct spending by significantly less than \$500,000 annually, and would reduce spending subject to appropriation by less than \$500,000 in 2003.

This legislation would permit the Secretary of the Treasury to estimate increases in retirement benefits that will be paid to certain retirees of the District of Columbia (D.C.) Metropolitan Police Department. Benefits for these retirees are paid from the D.C. Federal Pension Liability Trust Fund, which was established by the District of Columbia Retirement Protection Act of 1997 (Public Law 105-33). That act authorized the federal government to assume financial responsibility for the District's pension plan, which covered most D.C. employees and some federal law enforcement officers. Subsequent legislation mandated that longevity payments received by members of the D.C. police force who retired between August 29, 1972, and December 31, 2001, be included in calculations of retirement benefits. H.R. 5205 would allow benefit increases for these officers to be calculated using a generalized formula rather than on a case-by-case basis.

H.R. 5205 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

CBO estimates that implementing H.R. 5205 would increase direct spending by significantly less than \$500,000 annually, and would reduce spending subject to appropriation by less than \$500,000 in 2003. The costs of this legislation fall within budget function 600 (income security).

BASIS OF ESTIMATE

According to the D.C. government, historical records covering approximately 2,500 officers who retired between August 29, 1972, and December 31, 2001, are incomplete and recalculating retirement benefits for this group would be extremely difficult and time-consuming. H.R. 5205 would authorize the Treasury Department, in conjunction with the D.C. government, to use a generalized formula to recalculate benefits for these retired police officers. The Treasury Department estimates that the formula authorized by this bill would provide each eligible retiree or survivor with a benefit increase that deviates by less than \$6 per month from the benefit increase that would result from recalculating benefits on a case-by-case basis. Based on that Treasury analysis, CBO estimates that increases in mandatory spending on pension benefits would not be significant.

In addition, using the proposed benefit formula rather than recalculating benefits manually would reduce administrative costs, which are paid for with appropriated funds. Based on information provided by the Treasury Department, CBO estimates H.R. 5205 would reduce these discretionary costs by less than \$500,000 in 2003.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5205 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Geoffrey Gerhardt

Impact on State, Local, and Tribal Governments: Leo Lex

Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Peter H. Fontaine

Deputy Assistant Director for Budget Analysis